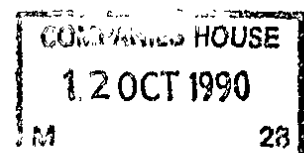


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NORTHERN ROCK HOUSING TRUST LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 December 1989



## NORTHERN ROCK HOUSING TRUST LIMITED

### DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the company for the six months ended 31 December 1989.

### BACKGROUND AND PRINCIPAL ACTIVITIES

The main objectives of the company are to assist in the revitalisation of inner city housing stock, to provide new houses at low cost mainly for first time buyers and to offer a range of solutions to housing problems, by rent or other forms of tenure.

The company commenced trading on 1 July 1989 with the aim of improving the housing prospects of people in all walks of life. The company's legal status enables it to own, hold and develop land for this purpose.

### RECONSTRUCTION

The company was incorporated on 15 February 1989 under the name of Northern Rock Housing Trust Limited. It is a company limited by share capital.

The company was set up by the Northern Rock Building Society when it was decided that the operations of its housing subsidiary would be better administered through a company limited by share capital rather than the guarantee company which was being used.

On 15 February 1989 the guarantee company's name was changed from Northern Rock Housing Trust Limited to Northern Rock Housing Trust (1985) Limited.

On 26 September 1989, a board resolution was passed to re-register Northern Rock Housing Trust (1985) Limited as a company with share capital and unlimited liability.

On 18 October 1989 Northern Rock Housing Trust Limited acquired part of the trade and assets of Northern Rock Housing Trust (1985).

On 18 October 1989 four shares were issued to Northern Rock Building Society.

From 18 October 1989 Northern Rock Housing Trust (1985) has been a wholly owned subsidiary of Northern Rock Housing Trust Limited which itself became a wholly owned subsidiary of the Northern Rock Building Society on this date.

### REVIEW OF THE BUSINESS

During the year development work commenced at one site. At the year end new developments were being considered at a number of sites.

### RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £3,519. The directors recommend that this amount be transferred to reserves.

NORTHERN ROCK HOUSING TRUST LIMITED

DIRECTORS REPORT (continued)

DIRECTORS

The directors who were appointed during the year are given below:

F M Osborn (Chairman)  
L P Finn  
J C Sharp  
The Rt Hon The Viscount Ridley  
R H Dickinson  
J S Stephenson

None of the directors have any beneficial interests in the shares of the company.

The articles of association do not require the directors to retire by rotation.

FIXED ASSETS

Movements in tangible fixed assets during the year are set out in note 4 to the financial statements.

FUTURE DEVELOPMENTS

The company intends to continue the expansion of its business by the acquisition of additional sites for development as and when suitable opportunities arise.

AUDITORS

The auditors, Price Waterhouse, having been appointed during the year, have expressed their willingness to continue in office and resolutions as to their reappointment and remuneration will be proposed at the Annual General Meeting.

By Order of the Board

G Jobe  
Secretary



22 January 1990

*Price Waterhouse*



AUDITORS' REPORT TO THE MEMBERS OF  
NORTHERN ROCK HOUSING TRUST LIMITED

We have audited the financial statements on pages 4 to 12 in  
accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of  
the state of affairs of the company at 31 December 1989 and of its  
profit and source and application of funds for the period then ended  
and have been properly prepared in accordance with the Companies Act  
1985.

*Price Waterhouse*

Chartered Accountants  
Newcastle upon Tyne

22 January 1990

NORTHERN ROCK HOUSING TRUST LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 1989

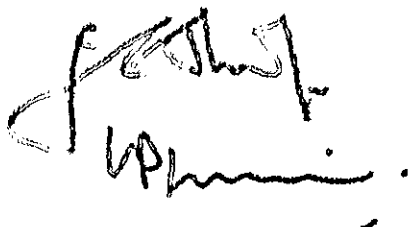
	<u>Notes</u>	<u>1989</u>
TURNOVER	1	13,800
Cost of sales		-
GROSS PROFIT		<u>13,800</u>
Administrative expenses		<u>(8,323)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	5,477
Tax on profit on ordinary activities	3	(1,958)
PROFIT FOR THE PERIOD	11	<u>£ 3,519</u>

NORTHERN ROCK HOUSING TRUST LIMITED

BALANCE SHEET AT 31 DECEMBER 1989

	Notes	1989	
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	4		102,159
Sharebuy properties	5		262,250
Investment in subsidiary	6		4
			<u>364,413</u>
<b>CURRENT ASSETS</b>			
Development in progress	7	968,416	
Debtors	8	3,461,064	
Cash at bank and in hand		2,750	
		<u>4,432,230</u>	
<b>CREDITORS - amounts falling due within one year</b>	9	(4,793,120)	
<b>NET CURRENT LIABILITIES</b>			<u>(360,890)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>£3,523</u>
<b>REPRESENTED BY:</b>			
SHARE CAPITAL	10		4
RESERVES	11		3,519
			<u>£3,523</u>

Approved by the Board of Directors on 22 January 1990 and signed on their behalf by:



} Directors

# NORTHERN ROCK HOUSING TRUST LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTHS ENDED 31 DECEMBER 1989

	1989
	£
<b>SOURCE OF FUNDS</b>	
Profit on ordinary activities before taxation	5,477
<b>FUNDS FROM OTHER SOURCES</b>	
Issue of share capital	4
<b>APPLICATION OF FUNDS</b>	
Investment in subsidiary	( 4)
Transfer of fixed assets from Northern Rock Housing Trust (1985)	(95,945)
Transfer of fixed assets from Northern Rock Building Society	( 6,214)
Transfer of sharebuy properties from Northern Rock Housing Trust (1985)	(262,250)
	<u>(364,413)</u>
	<u>(358,932)</u>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>	
Debtors	(3,461,064)
Creditors	4,791,162
Developments in progress	( 968,416)
	<u>£2,750</u>
<b>INCREASE IN NET LIQUID FUNDS</b>	

NORTHERN ROCK HOUSING TRUST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention.

(b) Consolidation

Group accounts have not been prepared in respect of this company and its subsidiary. This company is itself a wholly owned subsidiary of the Northern Rock Building Society which prepares group accounts.

(c) Turnover

Turnover represents the amounts receivable from the sale of properties and attributable development fees. Properties are treated as sold and profits are taken when legal contracts are completed.

(d) Depreciation

Depreciation is provided to write off the cost of all tangible fixed assets over their expected useful lives, using the following rates:

Leasehold buildings	- the shorter of the period of the lease and 50 years
Office equipment and furniture	- 4 - 10 years
Motor vehicles	- 4 years

(e) Sharebuy properties

The company's equity share of sharebuy properties is included in the balance sheet at the lower of cost and net realisable value. No depreciation is charged in respect of sharebuy properties.

(f) Developments in progress

Developments in progress are valued at the lower of cost plus attributable development fees and net realisable value. Full provision is made for all foreseeable losses.

(g) Deferred taxation

No provision is made for deferred taxation unless there is reasonable probability that such taxation will become payable in the foreseeable future.



NORTHERN ROCK HOUSING TRUST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (continued)

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

	<u>1989</u>
	£
Staff costs:	
Wages and salaries	5,155
Social security costs	397
Other pension costs	822
Depreciation	-
Auditors' remuneration	120

Notes 10 and 11, 12, 13, 14

3 TAXATION

Taxation on the profit on ordinary activities comprises:

	<u>1989</u>
Corporation tax at 35%	£1,958

Notes 15 and 16

NORTHERN ROCK HOUSING TRUST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (continued)

4 TANGIBLE FIXED ASSETS

	Long leasehold	Office equipment and furniture	Motor vehicles	Total
<u>Cost</u>				
At 1 July 1989	-	-	-	-
Transfers from Northern Rock Housing Trust (1985)	42,126	15,053	53,670	110,849
Transfers from Northern Rock Building Society	-	-	8,285	8,285
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1989	42,126	15,053	61,955	119,134
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>				
At 1 July 1989	-	-	-	-
Transfers from Northern Rock Housing Trust (1985)	-	2,247	12,657	14,904
Transfers from Northern Rock Building Society	-	-	2,071	2,071
	<hr/>	<hr/>	<hr/>	<hr/>
	-	2,247	14,728	16,975
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net book amount</u>				
At 31 December 1989	£ 42,126	£ 12,806	£ 47,227	£ 102,159
	<small>£42,126</small>	<small>£12,806</small>	<small>£47,227</small>	<small>£102,159</small>

# NORTHERN ROCK HOUSING TRUST LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (continued)

### 5 SHAREBUY PROPERTIES

Freehold  
land and  
buildings

#### Cost

At 1 July 1989

Transfers from Northern Rock Housing Trust (1985)

-  
262,250

At 31 December 1989

£262,250

Under the terms of the contracts with residents, the company's interests in sharebuy properties can only be realized when the residents decide to sell the properties, or when the residents exercise their option to increase their own equity share.

### 6 INVESTMENT IN SUBSIDIARY

1989

Shares in Northern Rock Housing Trust (1985) at cost

£ 4

Northern Rock Housing Trust Limited holds all of the issued share capital of its subsidiary. The business of Northern Rock Housing Trust (1985) is that of a property developer.

In the opinion of the director, the value of the investment in Northern Rock Housing Trust (1985) is not less than the aggregate amount at which it is shown in the balance sheet.

NORTHERN ROCK HOUSING TRUST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (continued)

7 DEVELOPMENT IN PROGRESS

	<u>1989</u>
Land and buildings	£968,416

8 DEBTORS

	<u>1989</u>
Other debtors	1,440
Prepayments and accrued income	3,393
Amounts owed by Northern Rock Housing Trust (1985)	3,456,231
	<u>£3,461,064</u>

9 CREDITORS - amounts falling due within one year

	<u>1989</u>
Trade creditors	384
Other creditors	10,895
Accruals and deferred income	8,063
Amounts owed to Northern Rock Building Society	4,771,820
Corporation tax	1,958
	<u>£4,793,120</u>

The amounts owed to Northern Rock Building Society are interest free and comprise the following:

	<u>1989</u>
Loans	292,033
Other	4,479,787
	<u>£4,771,820</u>

The loans are secured by a legal charge on the company's investment in sharebuy properties. Full repayment of the loans will be made on sale of the properties.

**NORTHERN ROCK HOUSING TRUST LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (continued)**

**10 SHARE CAPITAL**

1989

Authorised

Ordinary shares of £1 each.

£1,000

Placing 1,000,000

Alotted, called up and fully paid.

Ordinary shares of £1 each

£4

100,000,000

The shares were issued on 18 October 1989 at their nominal value as part of the reconstruction of the housing activities of the Northern Rock Building Society Group.

**11 RESERVES**

1989

Profit for the period ended 31 December 1989

£3,519

£3,519,000

**12 CAPITAL COMMITMENTS**

There were no capital commitments at 31 December 1989.

**13 FINANCIAL COMMITMENTS**

At 31 December 1989 the Company had no commitments in respect of future developments on which work had not commenced at the balance sheet date.

**14 DIRECTORS AND EMPLOYEES**

The average number of employees during the period was 8. All directors and employees have employment contracts with the ultimate parent company.

None of the directors received any emoluments in respect of their services to the company. None of the employees received emoluments in excess of £30,000.

**15 ULTIMATE PARENT**

The company is a wholly owned subsidiary of the Northern Rock Building Society, a body incorporated in England under the Building Societies Act 1966.